AST hikes up comeback trail in PC market

By Adam Bisby

The 1990s have been hard on AST Computer. After falling from the top of the PC industry earlier this decade, and making an inauspicious exit from the Canadian market in a storm of channel controversy, AST now aims to claw its way back.

The first signs of new life from AST came earlier this year when Beny Alagem, former president of Packard-Bell NEC, purchased intellectual property from AST Research Inc. and the AST brand name from parent company Samsung Electronics. At the time, Alagem billed the new AST as an Internet-driven company focused on providing computer systems to small and mid-size businesses as well as the home market.

Since Alagem took control, AST has introduced a variety of new products, including Premmia PS desktop PCs with 600 MHz Pentium III processors, as well as BeOS-based systems. AST and Caldera Systems Inc., also announced that the OpenLinux 2.2 business solution will be a factory pre-load option on AST's Premium 1000 and 2000 series servers. Then, the firm unveiled a partnership with Computer Associates International Inc. (CA) whereby AST ships CA's Unicenter TNG Framework on all Premium servers and InoculateIT Personal Edition on all Premmia minitower, Bravo desktop and Ascentia notebook computers.

For resellers, the company continues to have a password-protected "partners" section on its Web page (www.ast.com), but has added an online shopping option to the site that allows for direct Web sales. This feature, however, is not available in Canada, making VARs and retailers the only sales channel for Canadian customers.

However, when AST Canada closed its offices in March of last year, serious problems arose for Canadian resellers trying to service warranty claims. One AST official told *CDN* that when it closed its offices, AST Canada inadvertently sold the server that contained the database with its Canadian sales and warranty information. AST Research also accused resellers of intentionally trying to take advantage of the warranty confusion by billing the company more than once for the same service repairs.

"(AST) will never be able to regain credibility in the eyes of our customer base," David Spindler, central regional sales manager for Mississauga, Ont.-based distributor Globelle Corp., told *CDN*.

Today, many of AST's past Canadian partners still treat the company with disdain. "I haven't heard a peep from (AST) in years, and quite frankly, I don't want to," said Peter Flynn, president of Richmond Hill, Ont.-based Power Computer Systems. "The company failed and hurt my business. Why would I want to have anything to do with them?"

Rob Enderle, an analyst with Cambridge, Mass.-based Giga Information Group, told *CDN* that AST winning back customers could be a tough battle. He pointed out that Alagem and much of his team are former Packard Bell NEC employees.

More importantly, Enderle also questioned the viability of the AST name itself. He said many customers and resellers distrust the AST name because of the original organization's hasty retreat from Canada and the ensuing warranty problems. "It would be cheaper to start over with a new company," he said. "This is like starting in a hole."

But regaining credibility and finding new customers is exactly what AST is trying to do, said Karen Yamamoto, AST's vice-president of marketing.

Exactly what the firm's business strategy is remains to be seen. According to Yamamoto, the company sells direct through its Web site, and still has several reseller partners. However, early 2000 will mark a "taking off point" for its revamped business plan, she says, adding that details will be unveiled in the new year.

A troubled three years for AST:

- **Dec. 1996** — Samsung invests US$200 million in struggling company.
- **April 1997** — Lays off 1,000 employees.
- **April 1997** — Acquired by Samsung.
- **May 1997** — Names Soon-Taek Kim as president and CEO.
- **Dec. 1997** — Cuts 37 per cent of global workforce.
- **Jan. 1998** — AST Canada announces downsizing plans
- **March 1998** — Closes Mississauga, Ont.-based Canadian offices.
- **Jan. 1999** — Beny Alagem buys AST brand name from Samsung.
- **June 1999** — Unveils BeOS-based PC line.
- **Aug. 1999** — Inks partnerships with Computer Associates.

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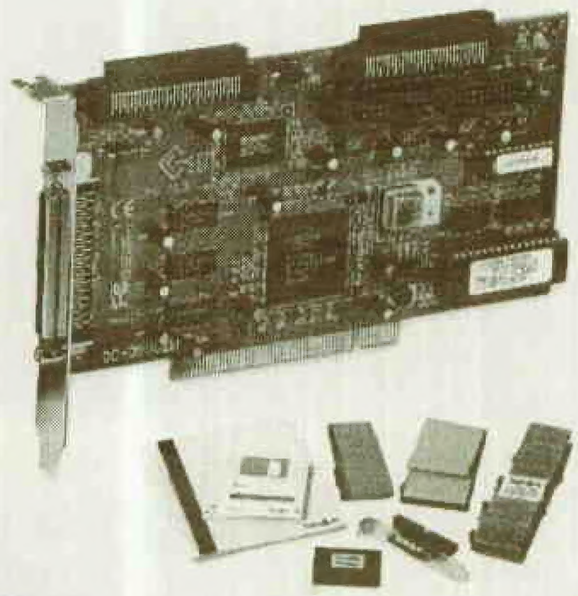

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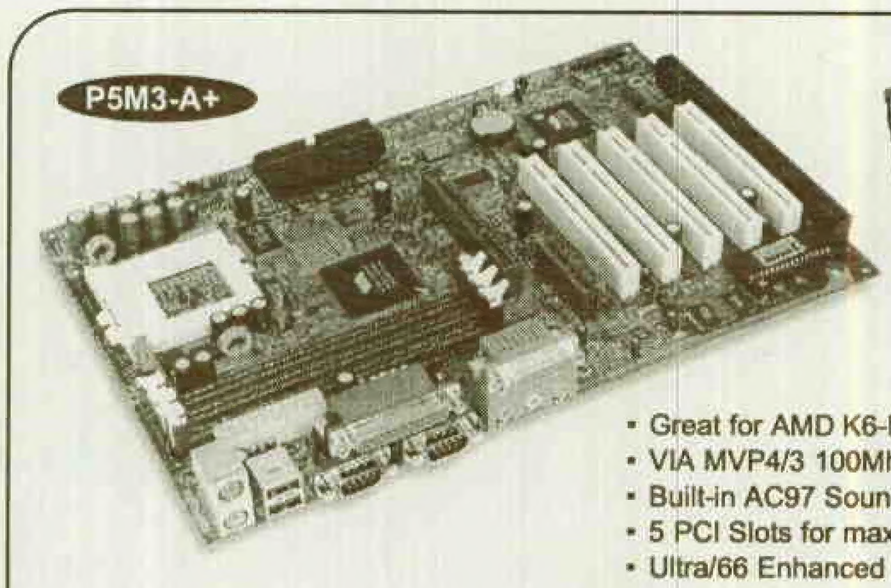

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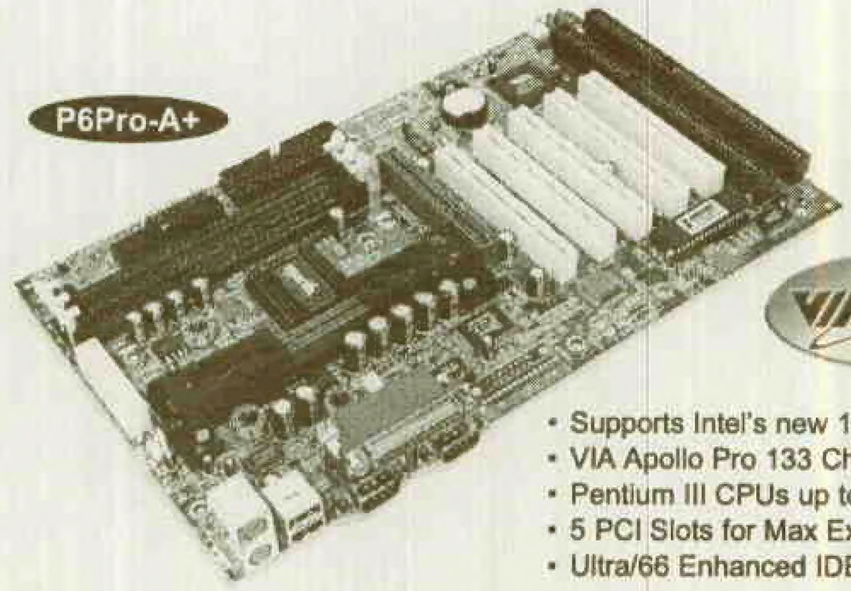

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